

President's Council on Integrity and Efficiency

DD/A Registry

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PROGRAM INNOVATIONS REPORT

RECENT APPROACHES TO AUDIT AND INVESTIGATION

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REHABILITATED FURNITURE AVAILABLE

Agencies have an opportunity to reduce costs as a result of a General Services Administration (GSA) program aimed at allowing customers to make the most of the procurement dollars they have available. During a review of Government-wide furniture procurement, GSA auditors found that agencies were discarding usable office furniture, while at the same time procuring costly new furniture. They recommended expanding repair and/or rehabilitation alternatives rather than simply disposing of the older furniture.

GSA, therefore, has established a Furniture Reclamation Center (FRC) to provide agencies with good, usable office furniture in a "like new" condition for far less than the cost of new furniture. The Center is open from 8 AM to 3:30 PM on Government business days. The furniture is uncrated and is available for inspection before ordering. Items are available for immediate pickup by customer agencies.

The savings that can be achieved from the use of rehabilitated furniture are indicated by the comparisons below.

Type Furniture	Selling price/ New	Selling price/ Rehabilitated
Executive Wood Desk	\$760.00	\$174.00
High Back Rotary Chair	\$370.00	\$179.00
Grey Metal Desk	\$345.57	\$154.50
Unitized Wood Desk	\$270.00	\$124.00
Wood Side Chairs	\$144.00	\$60.00
Filing Cabinet (5-drawer)	\$115.00	\$58.00

In addition, the Center stocks rehabilitated tables, bookcases, coat racks, and other miscellaneous items. The current inventory comprises over 1,000 pieces. The cost of rehabilitated furniture averages about half the cost of new furniture.

The Center serves as an effective source of supply, providing a simple, reasonable opportunity for civilian and military agencies to avoid new furniture procurements. Indeed, on its first day of operation, 274 items were sold for \$35,500. As of August 26, 1982, the Center's total sales were \$445,693, providing a net savings of over \$255,000 to the Government.

Agencies are requested to telephone the Center directly to inquire about the availability of specific items.

GSA, Furniture Reclamation Center
Building A
Loisdale Road
Springfield, Virginia 22150
(703) 557-0180 or 0181

Other inquiries should be directed to (202) 472-5912.

NEW CASH RECEIPTS PROCEDURES REDUCE THE FLOAT

The Department of Interior's Bureau of Land Management (BLM), in cooperation with Treasury's Bureau of Government Financial Operations (BGFO), has changed its cash receipts procedures in order to accelerate payments into the Treasury and thus contribute to budget savings.

BLM's Outer Continental Shelf Mineral Leasing and Rights-of-Way Granting Program leases tracts of land to oil and gas producers. As the producers pay billions of dollars annually for the leases, they have traditionally used ways that would maximize the availability of the funds in their own accounts. For example, they frequently made the payments with checks drawn on banks in remote areas. This resulting

delay in availability of funds to the Government has been very costly.

Accordingly, BLM and BGFO implemented procedures in which the companies are given the choice of making payment through either: 1) a Federal Reserve Bank check, or 2) a commercial bank check. In the first option, the oil or gas producer requests a Federal Reserve Bank check drawn on the Federal Reserve Bank or Branch servicing the city in which the BLM Field Office overseeing the specific Outer Continental Shelf sale is located. The charge ultimately is made against the company's bank account. In the second option, the producer draws a commercial bank check from a bank located in the same city as the Federal

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DIRECT DEPOSITS OF PAYMENTS

Since the mid-1970's, the Treasury Department has been using the direct deposit/electronic funds transfer (DD/EFT) system to electronically deposit recurring payments directly into an individual's bank account. The system is used to make the monthly payments to social security recipients and the payroll payments for 60 percent of the Federal agencies. It is hoped that by the end of 1983, all Federal employees will be able to be paid by direct deposit. The DD/EFT system is administered by Treasury's Bureau of Government Financial Operations.

The advantages of using electronic funds transfer (EFT) for payments are that it reduces substantially the time and paperwork necessary to prepare and process checks; it eliminates delays, losses, thefts of checks; and it eliminates costs to mail the checks, which at today's postage rates are significant. Finally, for the recipient it makes funds immediately available and it reduces the costs for processing and depositing checks.

The Treasury Department is now experimenting with using EFT for nonrecurring payments. One pilot has been conducted with the Department of Housing and Urban Development in which EFT was used to pay the fiscal agents in the low rent housing bond program. The fiscal agents thus have the funds available to make the semi-annual interest payments to bond holders.

Another EFT pilot project has been in the Farmer's Home Administration (FmHA) in its program of making direct loans for rural development. Specifically, in 1981 FmHA made 320,000 loans for almost \$14 billion. In making the loans, the FmHA traditionally ordered U.S. Treasury checks 30 to 60 days prior to the loan closing in order to allow for mail delays and other uncertainties. In the direct deposit/EFT system the FmHA uses telephone wires to order the payments. The Treasury disbursing office then makes funds available through the Federal Reserve Bank and the Automated Clearinghouse System to the local bank on the morning of the day of the loan closing. The local financial institution prepares a bank draft, jointly payable to the individual borrower and the FmHA, which is then available at the loan closing.

The advantages of using direct deposit/EFT in this situation is a streamlining of the disbursement process, and the assurance that the disbursements will be made in a reliable and timely manner. In addition, the FmHA employees are able to order funds for delivery on the specific date of the loan closing.

All agencies should explore using the direct deposit/EFT system for making nonrecurring payments, as well as recurring payments such as payroll.

Additional information about the direct deposit/EFT system can be obtained from Pat Tinker, EFT Program Manager, Bureau of Government Financial Operations, (202) 634-2003. Information about using the direct deposit/EFT system for making loan payments can be obtained from Vern Isenberg or Jim Gilmore, Financial and Productivity Analysis Division, Farmer's Home Administration, Department of Agriculture, (202) 382-8307.

INVOLVING STATE AND LOCAL GOVERNMENTS AND PRIVATE SECTOR ORGANIZATIONS IN THE BATTLE AGAINST FRAUD, WASTE, AND MISMANAGEMENT

The Department of Housing and Urban Development (HUD) has recognized the increasing reliance on non-Federal organizations, i.e., state and local governments and private sector organizations, to administer and monitor its programs. In this regard, the Department has developed a strategy to protect program integrity by providing these entities with technical advice, information, and assistance. As part of his emphasis on deregulation, Secretary Pierce has endorsed a voluntary approach which involves stimulating an awareness and appreciation of the need for controls and accountability in state, local, and private sector administrators.

HUD has begun a series of briefing and training sessions for program participants and other interested organizations. Matters discussed and information provided concern the Department's accountability monitoring concept (Program Innovations Report, Volume II, No. 4, July 1982), highlights of the Inspector General Act of 1978, the role and relationship in HUD of the OIG Office of Fraud Control and Management Operations, the Department's fraud control program, the new direction of monitoring efforts, common audit findings, and potential fraud schemes which can occur as a result of local administrators and governing bodies not establishing and maintaining a sound internal control program.

The presentation to the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (NAHRO) was very well received. As a result, HUD has been invited to present two workshops to the NAHRO national convention in October. This will involve an audience of 2500 members representing numerous non-Federal organizations which are involved in HUD programs and activities. Similar briefings, such as to the Intergovernmental Audit Forum, have also been given.

HUD is now exploring providing technical assistance to state, local, and private entities to help reduce fraud, waste, and mismanagement in HUD-related programs. Specifically, the Office of the Inspector General and the Committee on Fraud, Waste, and Mismanagement are surveying selected public interest groups to determine their level of interest. The OIG will then develop individual relationships with each organization based on its particular needs.

It appears the HUD approach is working for a number of reasons. First, the non-Federal sector finds it interesting and helpful. Second, it is a voluntary program; thus, the fraud control requirements that might otherwise be imposed are eliminated. Finally, it assists state, local, and private entities in maintaining program integrity.

For additional information, contact Robert E. Hudak, Assistant Inspector General for Fraud Control and Management Operations, Department of Housing and Urban Development, (202) 426-5454.

MEASURING THE QUALITY OF AUDIT REPORTS

The Office of the Inspector General for the Department of Defense is conducting a technical standards review of audit reports issued by the four DoD central internal audit organizations to determine the adherence of the reports to generally accepted reporting standards and to identify desirable changes in audit report policies and practices. This process was established in recognition of the fact that audit reports are a primary means for bringing about corrections of problems, and that they are used for other important purposes as well.

The technical standards review is performed by a group composed of experienced auditors from the four DoD central internal audit organizations and members of the Office of the Inspector General. The Office of the Inspector General also provides the Review Manager. The first task the group performed was to develop an approach for reviewing the reports, defining the evaluative criteria, and developing the worksheet and evaluation guidelines for conducting the review. Next, the members of the group review selected reports chosen by the Review Manager as being representative of the issuing organizations' reports. To date about 24 reports (six from each central internal audit organization) have been reviewed or are undergoing review. Obviously, members are not permitted to review reports issued by their own audit organization.

The review approach has three parts. The first is designed to help the reviewer become familiar with the report and its key elements. It requires the reviewer to analyze the report and complete a "Audit Report Analysis Worksheet." The following aspects of the report are identified:

- Report Identification and Classification
- Audit Entity
- Audit Objectives
- Audit Scope
- Audit Results
- Chronology of Audit Actions
- Direct Auditor Days
- Travel and Per Diem Costs
- Resulting Monetary Benefits

Next, the reviewer carefully evaluates the report content according to the established criteria, and scores the quality of the essential elements of the report. Emphasis is placed on measuring the report against the revised Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States.

New Cash Receipts Procedures -- from page 1

Reserve Bank or Branch servicing the BLM's Field Office conducting the particular lease sale.

Savings for this new procedure are estimated at \$7 million a year. In addition, there will be improved information for forecasting and tracking and reduced paperwork and personnel time.

Here is a summary of how points are assigned.

Description	Possible Number of Points
<i>Basic Components of the Audit Report</i>	
Audit Entity	3
Background	2
Purpose	6
Scope	5
Summary Evaluation	12
Other Components	2
Subtotal	30
<i>Basic Elements of Deficiency Findings</i>	
Findings	35
Recommendations	15
Subtotal	50
<i>Other Aspects of the Report</i>	
Management Position	10
Report Distribution and Format	10
Subtotal	20
TOTAL	100

The score is recorded on an "Audit Report Evaluation Guidelines and Scoring Sheet." The reviewer is also encouraged to make comments directly on a copy of the report.

The third step is to recap the scores on a "Summary Scoring Sheet."

Following the evaluation, the completed evaluation forms and the marked-up copy of the report are returned to the Review Manager to assure quality, consistency, and uniformity in the report review. When the Manager is satisfied, the results of the review are discussed with the senior officials of the audit organization issuing the report. The discussion focuses on developing an understanding of the reporting issues and initiating changes in reporting procedures and methods, as much as on the individual report deficiencies. A letter is issued subsequent to the meeting to document the results of the review.

The Office of the Inspector General has found that the assignment of scores as a measure of quality, a technique used by the General Accounting Office, can be very beneficial. It has stimulated comparison of the quality of reports within and among the different audit organizations — with an expectation that this will enhance the quality of the reports.

For additional information about the DoD Technical Standards Review Process for Audit Reports, contact Victor F. Stone, Office of the Assistant to the Secretary of Defense (Review and Oversight), (202) 694-8176.

Agencies operating programs for which payments are made to the government should consider using wire transfers or the above approach if wire transfers are not feasible in order to increase the availability of funds to the government.

For further information, contact Rick Polhamus, Bureau of Government Financial Operations, (202) 634-5787.